

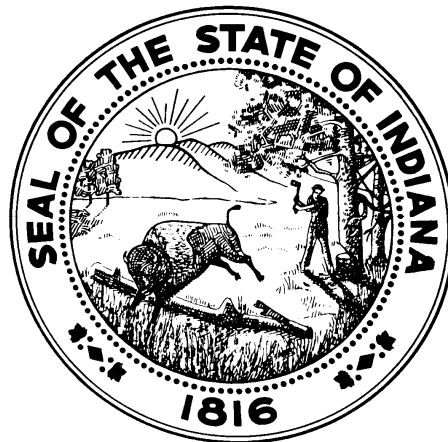
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2007

CITY OF BERNE MUNICIPAL UTILITIES

ADAMS COUNTY, INDIANA



FILED
10/09/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Gwendolyn J. Maller	01-01-04 to 12-31-11
Mayor	John F. Minch	01-01-04 to 12-31-11
President of the Board of Public Works and Safety	John F. Minch	01-01-04 to 12-31-11
President of the Common Council	William F. McKean Gregg A. Sprunger	01-01-07 to 12-31-07 01-01-08 to 12-31-08
Water Utility Superintendent	John A. Crider	01-01-07 to 12-31-08
Wastewater Utility Superintendent	Terry L. Konger, Jr.	01-01-07 to 12-31-08
Storm Water Utility Superintendent	Shannon W. Smitley	01-01-07 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF BERNE MUNICIPAL UTILITIES, ADAMS COUNTY, INDIANA

We have examined the accompanying financial statements of the business-type activities of the City of Berne Municipal Utilities (Utilities), departments of the City of Berne, as of and for the year ended December 31, 2007. These financial statements are the responsibility of the Utilities' management. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note I, the financial statements of the Utilities are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Utilities. They do not purport to, and do not, present fairly the financial position of the City of Berne as of December 31, 2007, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Utilities as of December 31, 2007, and the respective changes in financial position and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not examine the information and express no opinion on it.

The Utilities have not presented Management Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

August 21, 2008

CITY OF BERNE MUNICIPAL UTILITIES
STATEMENT OF NET ASSETS
December 31, 2007

<u>Assets</u>	Water Utility	Wastewater Utility	Storm Water Utility
Current assets:			
Cash and cash equivalents	\$ 829,764	\$ 20,588	\$ 67,222
Accounts receivable	4,034	6,282	8,338
Inventories	62,461	-	-
Prepaid items	8,169	8,169	1,639
Total current assets	904,428	35,039	77,199
Noncurrent assets:			
Restricted cash, cash equivalents and investments:			
Depreciation cash and investments	648,536	222,858	-
Bond and interest cash and investments	40,152	25,191	155,788
Construction cash and investments	-	57,321	1,998,371
Reserve cash and investments	-	208,694	363,831
Interfund receivable	370,000	-	-
Interest receivable	2,532	-	2,090
Total restricted assets	1,061,220	514,064	2,520,080
Deferred charges	-	46,838	118,152
Capital assets:			
Land, improvements to land and construction in progress	69,678	252,733	739,362
Other capital assets (net of accumulated depreciation)	1,439,871	4,411,853	1,136,393
Total capital assets	1,509,549	4,664,586	1,875,755
Total noncurrent assets	2,570,769	5,225,488	4,513,987
Total assets	3,475,197	5,260,527	4,591,186
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	10,789	16,193	15,230
Wages payable	160	751	452
Taxes payable	1,001	-	-
Current liabilities payable from restricted assets:			
Contracts payable	-	-	185,840
Revenue bonds payable	-	120,000	230,000
Accrued interest payable	-	6,314	10,808
Total current liabilities	11,950	143,258	442,330
Noncurrent liabilities:			
Revenue bonds payable (net of deferred amount on refunding)	-	1,414,467	2,990,000
Interfund payable	-	300,000	70,000
Total noncurrent liabilities	-	1,714,467	3,060,000
Total liabilities	11,950	1,857,725	3,502,330
<u>Net Assets</u>			
Invested in capital assets, net of related debt	1,509,549	3,130,119	-
Restricted for debt service	-	233,885	519,619
Restricted for other purposes	688,688	280,179	1,998,371
Unrestricted	1,265,010	(241,381)	(1,429,134)
Total net assets	\$ 3,463,247	\$ 3,402,802	\$ 1,088,856

The notes to the financial statements are an integral part of this statement.

CITY OF BERNE MUNICIPAL UTILITIES
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2007

	Water Utility	Wastewater Utility	Storm Water Utility
Operating revenues:			
Metered water revenue	\$ 317,712	\$ -	\$ -
Unmetered revenue	-	-	564,035
Fire protection revenue	63,112	-	-
Measured revenue	-	494,097	-
Other	11,942	1,828	120
	<u>392,766</u>	<u>495,925</u>	<u>564,155</u>
Total operating revenues			
Operating expenses:			
Salaries and wages	153,355	125,052	67,151
Employee pensions and benefits	54,231	51,555	26,475
Purchased power	51,498	42,823	-
Chemicals	26,670	-	-
Materials and supplies	125,372	72,566	48,206
Contractual services	8,167	26,211	17,160
Transportation expenses	2,978	6,881	1,712
Insurance expense	8,547	8,547	290
Depreciation	78,492	104,171	11,515
Miscellaneous expenses	11,231	2,879	2,718
	<u>520,541</u>	<u>440,685</u>	<u>175,227</u>
Total operating expenses			
Operating income (loss)	<u>(127,775)</u>	<u>55,240</u>	<u>388,928</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	69,149	25,772	24,378
Miscellaneous revenue	-	840	-
Interest expense	-	(90,280)	-
Amortization of bond issuance costs	-	(4,721)	(11,343)
	<u>69,149</u>	<u>(68,389)</u>	<u>13,035</u>
Total nonoperating revenues (expenses)			
Change in net assets	(58,626)	(13,149)	401,963
Total net assets - beginning	<u>3,521,873</u>	<u>3,415,951</u>	<u>686,893</u>
Total net assets - ending	<u>\$ 3,463,247</u>	<u>\$ 3,402,802</u>	<u>\$ 1,088,856</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BERNE MUNICIPAL UTILITIES
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
As Of And For The Year Ended December 31, 2007

	Water Utility	Wastewater Utility	Storm Water Utility
Cash flows from operating activities:			
Receipts from customers and users	\$ 391,306	\$ 494,168	\$ 561,184
Payments to suppliers and contractors	(220,053)	(152,196)	(73,239)
Payments to employees	(207,539)	(176,174)	(93,463)
Other receipts	-	24,113	-
Net cash provided (used) by operating activities	<u>(36,286)</u>	<u>189,911</u>	<u>394,482</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(2,648)	(46,365)	(817,519)
Principal paid on capital debt	-	(115,000)	(220,000)
Interest paid on capital debt	-	(79,754)	(134,097)
Net cash used by capital and related financing activities	<u>(2,648)</u>	<u>(241,119)</u>	<u>(1,171,616)</u>
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	-	-	2,000,000
Purchase of investments	-	-	(700,000)
Interest received	68,695	26,664	147,908
Net cash provided by investing activities	<u>68,695</u>	<u>26,664</u>	<u>1,447,908</u>
Net increase (decrease) in cash and cash equivalents	29,761	(24,544)	670,774
Cash and cash equivalents, January 1	<u>1,238,691</u>	<u>559,196</u>	<u>1,214,438</u>
Cash and cash equivalents, December 31	<u><u>\$ 1,268,452</u></u>	<u><u>\$ 534,652</u></u>	<u><u>\$ 1,885,212</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (127,775)	\$ 55,240	\$ 388,928
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	78,492	104,171	11,515
(Increase) decrease in assets:			
Accounts receivable	(1,460)	(1,757)	(2,971)
Contracts receivable	-	24,113	-
Inventories	10,494	-	-
Prepaid items	(1,004)	(1,822)	(284)
Increase (decrease) in liabilities:			
Accounts payable	3,919	9,533	(2,869)
Wages payable	47	433	163
Taxes payable	1,001	-	-
Total adjustments	<u>91,489</u>	<u>134,671</u>	<u>5,554</u>
Net cash provided (used) by operating activities	<u><u>\$ (36,286)</u></u>	<u><u>\$ 189,911</u></u>	<u><u>\$ 394,482</u></u>
Noncash investing, capital and financing activities:			
Capital assets acquired through capitalized debt interest	\$ -	\$ -	\$ 21,342
Purchase of equipment on account	-	1,382	198,595

The notes to the financial statements are an integral part of this statement.

CITY OF BERNE MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the City of Berne Municipal Utilities and are not intended to present fairly the position of the City of Berne (City). The Utilities, whose operations are controlled by the City, represent all of the City's enterprise funds.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Assets; Statement of Revenues, Expenses, and Other Changes in Fund Net Assets; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the business-type activity are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Utilities' cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statute (IC 5-13-9) authorizes the Utilities to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

CITY OF BERNE MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets balance sheet because their use is limited by applicable bond covenants.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 1,000	Composite rate	2%
Improvements other than buildings	1,000	Composite rate	1% to 5%
Machinery and equipment	1,000	Composite rate	5%
Transportation equipment	1,000	Straight-line	10 years

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Utilities during the current year was \$223,644. Of the amount, \$133,364 was included as part of the cost of capital assets under construction in connection with various storm water projects.

5. Compensated Absences

- a. Sick Leave – Utility employees earn sick leave at various rates with a maximum of 25 days per year. Unused sick leave may be accumulated to a maximum of 30 days. Accumulated sick leave is not paid to employees upon termination.

CITY OF BERNE MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

- b. Vacation Leave – Utility employees earn vacation leave at rates from 5 days to 20 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.
- c. Personal Leave – Utility employees earn personal leave at the rate of 3 days per year. Personal leave does not accumulate from year to year.

No liability is reported for vacation, sick and personal leave.

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

II. Detailed Notes on All Funds

A. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depositary Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

B. Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 69,678	\$ -	\$ -	\$ 69,678
Capital assets, being depreciated:				
Buildings	1,510,521	-	-	1,510,521
Improvements other than buildings	1,613,140	-	-	1,613,140
Machinery and equipment	253,287	2,648	-	255,935
Transportation equipment	75,990	-	-	75,990
Totals	3,452,938	2,648	-	3,455,586

CITY OF BERNE MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility (continued):				
Capital assets, being depreciated (continued)				
Less accumulated depreciation for:				
Buildings	827,956	30,210	-	858,166
Improvements other than buildings	939,905	28,819	-	968,724
Machinery and equipment	116,056	12,664	-	128,720
Transportation equipment	53,306	6,799	-	60,105
Totals	1,937,223	78,492	-	2,015,715
Total capital assets, being depreciated, net	1,515,715	(75,844)	-	1,439,871
Total Water Utility capital assets, net	\$ 1,585,393	\$ (75,844)	\$ -	\$ 1,509,549
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 54,850	\$ -	\$ -	\$ 54,850
Construction in progress	174,036	26,537	2,690	197,883
Total capital assets, not being depreciated	228,886	26,537	2,690	252,733
Capital assets, being depreciated:				
Buildings	2,709,074	2,690	-	2,711,764
Improvements other than buildings	3,008,475	-	-	3,008,475
Machinery and equipment	398,091	9,882	-	407,973
Totals	6,115,640	12,572	-	6,128,212
Less accumulated depreciation for:				
Buildings	961,165	54,181	-	1,015,346
Improvements other than buildings	464,913	30,085	-	494,998
Machinery and equipment	186,110	19,905	-	206,015
Totals	1,612,188	104,171	-	1,716,359
Total capital assets, being depreciated, net	4,503,452	(91,599)	-	4,411,853
Total Wastewater Utility capital assets, net	\$ 4,732,338	\$ (65,062)	\$ 2,690	\$ 4,664,586

CITY OF BERNE MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Storm Water Utility:				
Capital assets, not being depreciated:				
Land	\$ -	\$ 63,155	\$ -	\$ 63,155
Construction in progress	784,114	348,465	456,372	676,207
Total capital assets, not being depreciated	784,114	411,620	456,372	739,362
Capital assets, being depreciated:				
Improvements other than buildings	-	897,705	-	897,705
Machinery and equipment	230,309	36,986	-	267,295
Totals	230,309	934,691	-	1,165,000
Less accumulated depreciation for: Machinery and equipment	17,092	11,515	-	28,607
Total capital assets, being depreciated, net	213,217	923,176	-	1,136,393
Total Storm Water Utility capital assets, net	\$ 997,331	\$ 1,334,796	\$ 456,372	\$ 1,875,755

Depreciation expense was charged to functions/programs of the Utilities as follows:

Water	\$ 78,492
Wastewater	104,171
Storm Water	11,515
Total depreciation expense	\$ 194,178

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2007	Committed	Required Future Funding
Wastewater Utility:				
North sanitary interceptor engineering	\$ 224,608	\$ 197,883	\$ 26,725	\$ -
Storm Water Utility:				
South trunk line collection system	1,654,126	676,207	977,919	-
Totals	\$ 1,878,734	\$ 874,090	\$ 1,004,644	\$ -

CITY OF BERNE MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Interfund Balances and Activity

Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2007, is as follows:

Due To	Due From		Total
	Wastewater Utility	Storm Water Utility	
Water Utility	\$ 300,000	\$ 70,000	\$ 370,000

E. Long-Term Liabilities

1. Revenue Bonds

The Utilities issue bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount
1997 Wastewater revenue bonds	4.6% to 5.1%	\$ 1,550,000
2006 Storm Water revenue bonds	4% to 4.15%	3,220,000
Total		\$ 4,770,000

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Wastewater Utility		Storm Water Utility	
	Principal	Interest	Principal	Interest
2008	\$ 120,000	\$ 74,392	\$ 230,000	\$ 125,098
2009	130,000	68,741	240,000	115,697
2010	135,000	62,664	255,000	105,798
2011	140,000	56,115	265,000	95,397
2012	150,000	49,256	275,000	84,598
2013-2017	875,000	126,638	1,590,000	242,112
2018	-	-	365,000	7,574
Totals	\$ 1,550,000	\$ 437,806	\$ 3,220,000	\$ 776,274

CITY OF BERNE MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable:					
Wastewater Utility	\$ 1,665,000	\$ -	\$ 115,000	\$ 1,550,000	\$ 120,000
Storm Water Utility	3,440,000	-	220,000	3,220,000	230,000
Less deferred amount on refunding	(26,495)	-	(10,962)	(15,533)	-
Total long-term liabilities	<u>\$ 5,078,505</u>	<u>\$ -</u>	<u>\$ 324,038</u>	<u>\$ 4,754,467</u>	<u>\$ 350,000</u>

F. Restricted Assets

The balances of restricted asset accounts in the enterprise funds are as follows:

Depreciation account	\$ 871,394
Bond and interest account	221,131
Construction account	2,055,692
Reserve account	572,525
Interfund receivable	370,000
Interest receivable	<u>4,622</u>
Total restricted assets	<u>\$ 4,095,364</u>

III. Other Information

A. Risk Management

The Utilities are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Job Related Illnesses or Injuries to Employees

During 2002, the Utilities joined the Indiana Public Employers' Plan, Inc., a public entity risk pool currently operating as a common risk management and insurance program for approximately 350 member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses or injuries to

CITY OF BERNE MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

employees. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

B. Rate Structure

1. Water Utility

The current rate structure was approved by the City Council on November 13, 2000. The Utility has 1,517 customers.

2. Wastewater Utility

The current rate structure was approved by the City Council on November 13, 2000. The Utility has 1,521 customers.

3. Storm Water Utility

The current rate structure was approved by the City Council on June 14, 2004. The Utility has 1,536 customers.

C. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City, including the Utilities, contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Utilities authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

CITY OF BERNE MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Utilities' annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available. Therefore, the liability for Net Pension Obligation (NPO) is considered an obligation of the City as a whole.

Actuarial Information for the Above Plan

	<u>PERF</u>
Annual required contribution	\$ 43,185
Interest on net pension obligation	(4,047)
Adjustment to annual required contribution	<u>4,612</u>
Annual pension cost	43,750
Contributions made	<u>48,128</u>
Decrease in net pension obligation	(4,378)
Net pension obligation, beginning of year	<u>(55,827)</u>
Net pension obligation, end of year	<u><u>\$ (60,205)</u></u>
Contribution rates:	
Utilities	7.75%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

CITY OF BERNE MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-05	\$ 37,107	126%	\$ (58,616)
	06-30-06	47,577	94%	(55,827)
	06-30-07	43,750	110%	(60,205)

D. Subsequent Event

The Wastewater Utility entered into a State Revolving Fund Loan of \$2,515,000 dated June 30, 2008. The purpose of the loan was for a wastewater improvement project.

CITY OF BERNE MUNICIPAL UTILITIES
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund							
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)	
07-01-05	\$ 482,492	\$ 703,830	\$ (221,338)	69%	\$ 628,413	(35%)	
07-01-06	617,133	746,175	(129,042)	83%	613,752	(21%)	
07-01-07	691,827	844,852	(153,025)	82%	640,677	(24%)	

CITY OF BERNE MUNICIPAL UTILITIES
EXIT CONFERENCE

The contents of this report were discussed on August 21, 2008, with Gwendolyn J. Maller, Clerk-Treasurer; and John F. Minch, Mayor. Our audit disclosed no material items that warrant comment at this time.